

Chapter Planning Guide

25

Key to Ability Levels

BL Below level

OL On level

AL Above level


ELL English
Language Learners





















Key to Teaching Resources

 Print Material

 CD-ROM

 DVD

 Transparency

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
					FOCUS					
BL	OL	AL	ELL		Daily Focus Skills Transparencies		25-1	25-2	25-3	
					TEACH					
BL	OL		ELL		Reading Essentials and Note-Taking Guide*		p. 234	p. 237	p. 240	
		AL			Enrichment Activity, URB			p. 13		
BL	OL	AL	ELL		Content Vocabulary Activity, URB*	p. 67	p. 67	p. 67	p. 67	
BL	OL	AL	ELL		Academic Vocabulary Activity, URB	p. 69	p. 69	p. 69	p. 69	
	OL				Biography Activity, URB			p. 71		
BL	OL	AL	ELL		Writing Skills Activity, URB			p. 73		
	OL	AL			Critical Thinking Skills Activity, URB			p. 75		
BL	OL	AL	ELL		Chart, Graph, and Map Skills Activity, URB		p. 77			
BL	OL	AL	ELL		Differentiated Instruction, URB		p. 79		p. 79	
BL	OL	AL	ELL		School-to-Home Connection Activity, URB*	p. 81	p. 81	p. 81	p. 81	
BL	OL		ELL		Guided Reading Activities, URB*		p. 85	p. 86	p. 87	
BL	OL	AL	ELL		Writer's Guidebook	✓	✓	✓	✓	✓
	OL	AL			Primary Source Document Library CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Vocabulary PuzzleMaker CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Daily Lecture & Discussion Notes (in Pres. Plus)		✓	✓	✓	✓
BL	OL	AL	ELL		StudentWorks™ Plus DVD		✓	✓	✓	✓
BL	OL	AL	ELL		Section Video Program		✓	✓	✓	
BL	OL	AL	ELL		TIME Interpreting Political Cartoons Transp.				Ch. 25	
BL	OL	AL	ELL		Writing Process Transparencies	✓	✓	✓	✓	✓

Note: Please refer to the *Unit Resource Book: The Free Enterprise System* for this chapter's URB materials.

* Also available in Spanish



- Interactive Lesson Planner
- Interactive Teacher Edition
- Fully editable blackline masters
- Section Spotlight Videos Launch
- Differentiated Lesson Plans
- Printable reports of daily assignments
- Standards Tracking System

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
					TEACH <i>(continued)</i>					
Teacher Resources					Building Academic Vocabulary	✓	✓	✓	✓	✓
					Strategies for Success	✓	✓	✓	✓	✓
					Teacher's Guide to Differentiated Instruction	✓	✓	✓	✓	✓
					Graph Tool CD-ROM	✓	✓	✓	✓	✓
					Presentation Plus! DVD	✓	✓	✓	✓	✓
					ASSESS					
BL	OL	AL	ELL		Quizzes and Tests*		p. 297	p. 298	p. 299	p. 300
BL	OL	AL	ELL		Authentic Assessment with Rubrics			p. 29		
BL	OL	AL	ELL		Standardized Test Practice		p. 49	p. 49	p. 49	p. 49
BL	OL	AL	ELL		ExamView® Assessment Suite CD-ROM		25-1	25-2	25-3	Ch. 25
BL	OL	AL	ELL		Interactive Tutor Self-Assessment CD-ROM	✓	✓	✓	✓	✓
					CLOSE					
BL			ELL		Reteaching Activity, URB*		p. 83	p. 83	p. 83	
BL	OL		ELL		Reading and Study Skills Foldables™ Activity	p. 98	p. 99		p. 99	
BL	OL	AL	ELL		Graphic Organizer Transparencies & Strategies	✓	✓	✓	✓	✓

Using the Study Central™ Web Site

Main Ideas

Technology Product

The Study Central™ Web site lists the main ideas for each section of a chapter. The main ideas

- highlight key points for students that will be used in other tabs of the Study Central™ Web site;
- serve as a starting point for class discussions on the focus of each section;
- reinforce section content by having students pose and answer questions based on the main ideas;
- provide practice and review of test taking skills and culminate with section-based activities.

Objective

The main ideas help students

- build comprehension and study skills;
- enable students to practice developing and answering questions.

Steps

- Locate the Web page for the textbook being studied on the Glencoe Web site glencoe.com.
- Click on **Study Central™** under *Textbook Resources*.
- On the Study Central™ Web site (a new window will have opened), select a chapter and section using the drop-down arrows and click **Enter**.
- Click on the **Main Ideas** tab and then on a Main Idea to engage in a discussion on that topic.
- Have students write and review questions based on the statement, using examples as needed.
- Click on Steps 2 and 3 to discuss the skills involved in answering the questions and to engage students in the activity.
- Discuss the questions again with students to evaluate their answers.

Civics ONLINE

	Student	Teacher	Parent
Beyond the Textbook	•	•	•
Chapter Overviews	•	•	•
Concepts in Motion	•		•
ePuzzles and Games	•		•
Glencoe Teaching Today		•	
Literature Connections		•	
Multi-Language Glossaries	•		•
Online Student Edition	•	•	•
Section Videos	•	•	•
Self-Check Quizzes	•		•
Student Web Activities	•		•
Study Central™	•		•
TIME Current Events	•		•
Vocabulary eFlashcards	•		•
Web Activity Lesson Plans		•	

Glencoe Media Center

glencoe.com

Study-To-Go

- Vocabulary eFlashcards
- Self-Check Quizzes

Audio/Video

- Student Edition Audio
- Spanish Summaries

Reading List Generator CD-ROM

GLENCOE BOOKLINK 3

Use this database to search more than 30,000 titles to create a customized reading list for your students.

- Reading lists can be organized by students' reading level, author, genre, theme, or area of interest.
- The database provides Degrees of Reading Power™ (DRP) and Lexile™ readability scores for all selections.
- A brief summary of each selection is included.

Leveled reading suggestions for this chapter:

For students at a Grade 7 reading level:

- *Budgeting Your Money*, by Stuart Schwartz and Craig Conley

For students at a Grade 8 reading level:

- *Six Days in October: The Stock Market Crash of 1929*, by Karen Blumenthal

For students at a Grade 9 reading level:

- *Your Money at Work: Taxes*, by Ernestine Giesecke

For students at a Grade 10 reading level:

- *Legendary Labor Leaders*, by Thomas Streissguth

For students at a Grade 11 reading level:

- *Health Care: Opposing Viewpoints*, by Karen Balkin

READING SUPPORT FROM JAMESTOWN EDUCATION

- **Timed Readings Plus in Social Studies** helps students increase their reading rate and fluency while maintaining comprehension. The 400-word passages are similar to those found on state and national assessments.
- **Reading in the Content Area: Social Studies** concentrates on six essential reading skills that help students better comprehend what they read. The book includes 75 high-interest nonfiction articles written at increasing levels of difficulty.
- **Reading Social Studies** includes strategic reading instruction and vocabulary support in Social Studies content for both ELLs and native speakers of English.
- **Content Vocabulary Workout** (Grades 6–8) accelerates reading comprehension through focused vocabulary development. Social Studies content vocabulary comes from the glossaries of Glencoe's Middle School Social Studies texts.

KEY Teacher Wraparound

Use this key to help you identify the different types of prompts found in the Teacher Wraparound Edition.

R **Reading Strategies** activities help you teach reading skills and vocabulary.

C **Critical Thinking** strategies help students apply and extend what they have learned.

D **Differentiated Instruction** activities provide instruction for students learning to speak English, along with suggestions for teaching various types of learners.

S **Skill Practice** strategies help students practice historical analysis and geography skills.

W **Writing Support** activities provide writing opportunities to help students comprehend the text.

Teaching strategies and activities have been coded for ability level appropriateness.

AL Activities for students working above grade level

OL Activities for students working on grade level

BL Activities for students working below grade level

ELL Activities for English Language Learners

Focus

Why It Matters

Ask: What are some services funded by taxes? (education, police and fire protection, entitlement programs, highway construction, national defense)

More About the Photo

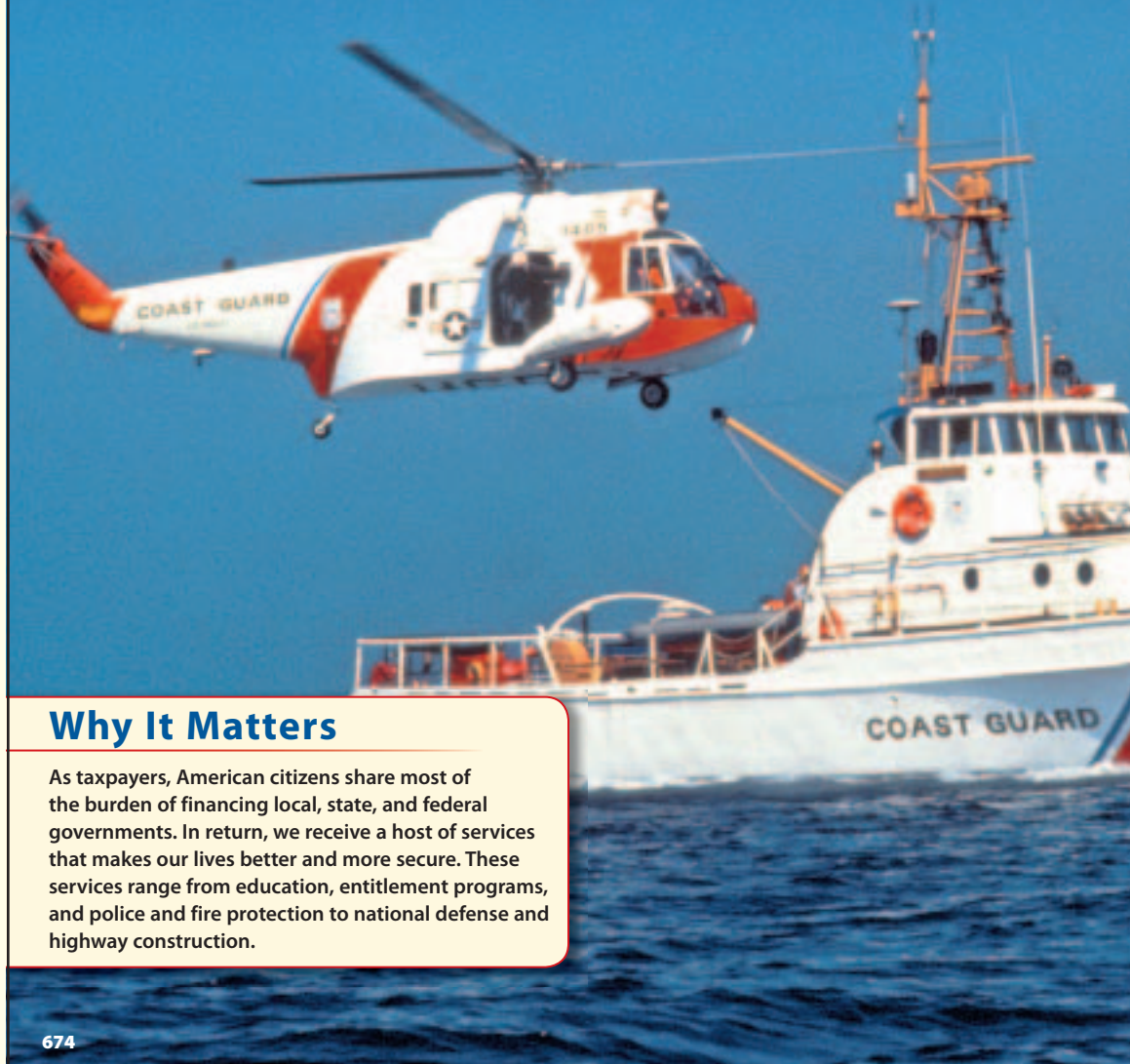
Visual Literacy *Semper Paratus*, the Latin phrase meaning “Always Ready,” is the motto of the United States Coast Guard. The Coast Guard was certainly ready during Hurricane Katrina. Upon learning of the storm’s path, this maritime branch of the military moved its regional command from New Orleans to St. Louis to prevent its being incapacitated. In preparation for the monstrous storm, Coast Guard officials set up a unified command with state and local industries. As soon as Katrina’s winds died down, the military group sprang into action. Rescue helicopters and cutters plucked thousands of people from rooftops in flooded areas, saving lives on dangerous around-the-clock missions. Many hailed the efforts of the Coast Guard during Katrina as a shining light in a dark tragedy.

Teach

BIG Ideas

As you begin teaching each section, use these questions and activities to help students focus on the Big Ideas.

Government Finances



Why It Matters

As taxpayers, American citizens share most of the burden of financing local, state, and federal governments. In return, we receive a host of services that makes our lives better and more secure. These services range from education, entitlement programs, and police and fire protection to national defense and highway construction.

674

Section 1

The Federal Government **Ask:** How does the government raise money for the projects in its budget? (by taxing citizens, residents, tourists, and businesses) Point out that in Section 1, students will learn about the federal budget process. **OL**

Section 2

State and Local Governments **Ask:** What are some ways that state and local governments raise revenues? (intergovernmental funds, sales taxes, income taxes) Tell students that in Section 2, they will learn about the major forms of revenue and expenditures for state and local governments. **OL**

BIG Ideas

Section 1: The Federal Government

Under our federal system, the executive, legislative, and judicial branches share the responsibility of governing the nation. The president and Congress work together to create the budget—a blueprint for raising and spending the nation's money.

Section 2: State and Local Governments

Political and economic institutions evolve to help individuals and groups accomplish their goals. State and local governments have their own revenue sources and decide how to spend the money they take in.


Section 3: Managing the Economy

Political and economic institutions evolve to help individuals and groups accomplish their goals. Governments use various tools to manage the economy.

FOLDABLESTM Study Organizer

Dinah Zike's Foldables

Purpose This Foldable guides the student to understand the budget process. The completed Foldable will use a table to help them compare the revenues and expenditures of the different levels of government. **OL**

 More Foldables activities for this chapter can be found in the *Dinah Zike's Reading and Study Skills Foldables* ancillary.

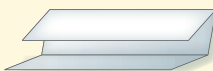
Civics ONLINE

Introduce students to chapter content and key terms by having them access the **Chapter Overview** at glencoe.com.

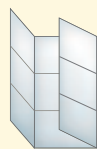
FOLDABLESTM Study Organizer

Comparing Information Foldable Make the following Foldable to help you compare the revenues and expenditures of the different levels of government.

Step 1 Fold a sheet of paper into thirds from top to bottom.



Step 2 Open the paper and refold it into thirds from side to side.



Step 3 Unfold the paper and draw lines along the folds.

Government Financial	Federal Government	State and Local Government
Revenues		
Expenditures		

Reading and Writing

As you read the chapter, use your Foldable chart to compare how money is administered among the federal, state, and local governments.

Section 3

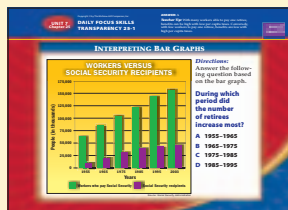
Managing the Economy **Ask:** **What tools does the government use to manage the economy?** (Possible answers include tax cuts; spending to make the economy grow; economic stabilizers, such as unemployment benefits and a progressive tax code.) Explain that in Section 3, students will learn about surpluses, deficits, and fiscal policy. **OL**

Focus



Bellringer

Daily Focus Transparency 25-1



Guide to Reading

Answers to Graphic:

Expenditures	Revenues
1. Social Security	1. Individual income tax
2. National defense	2. Payroll tax
3. Other	3. Corporate profits tax

Section Spotlight Video

To learn more about the federal government, have students watch the Section Spotlight Video for this section.

Resource Manager

Guide to Reading

Big Idea

Under our federal system, the executive, legislative, and judicial branches share the responsibility of governing the nation.

Content Vocabulary

- budget (p. 677)
- mandatory spending (p. 677)
- discretionary spending (p. 677)
- appropriations bill (p. 677)
- Social Security (p. 678)
- Medicare (p. 678)

Academic Vocabulary

- enormous (p. 677)

Reading Strategy

Representing Create a diagram like the one below to identify the three largest federal expenditures and the three largest sources of federal revenue.

Expenditures	Revenues
1. Social Security	1.
2.	2.
3.	3.

The Federal Government

Real World Economics Will the money be there when you retire? Social Security, the federal program designed to provide economic security for people once they retire, is often the subject of protest. Today, many younger generations of Americans are afraid they will pay into the system but never reap the benefits. That is because the Social Security system's long-term financial stability is in question, although economists have offered possible solutions.

▼ Protesters rally against changing Social Security



R Reading Strategies

Teacher Edition

- Identifying, p. 677
- Sequencing Info., p. 677

Additional Resources

- Cont. Vocab., URB p. 67
- Ac. Vocab., URB p. 69
- Guide. Read., URB p. 85
- Foldables, p. 99

C Critical Thinking

Teacher Edition

- Analyzing Information, p. 678
- Determining Cause and Effect, p. 679

Additional Resources

- Quizzes and Tests, p. 297

D Differentiated Instruction

Teacher Edition

- English Learners, p. 680

Additional Resources

- Diff. Instr., URB p. 79

W Writing Support

Teacher Edition

- Personal Writing, p. 678

S Skill Practice

Teacher Edition

- Reading Graphs, p. 679

Additional Resources

- Chart, Graph, and Map Act., URB p. 77
- Daily Focus Trans., 25-1

Preparing the Budget

Main Idea The federal budget, created by the president and Congress, is the government's blueprint for raising and spending money.

Economics & You Does your family spend money on things it must have then spend what is left over on things it wants but does not really need? Read to find out how your family is like the government.

Did you know that purchases made in 2005 by the federal government account for more than 7 percent of our gross domestic product (GDP)? This is an **enormous**, or very large, amount of money. Each year, the president and Congress work together to create a **budget**. This budget is a blueprint of how the government will raise and spend money.

The government's budget year differs from a calendar year. The government uses a fiscal year (FY), a 12-month period that may or may not match the calendar year. The federal government's budget year begins October 1 and ends on September 30 of the following year and must be renewed at that time.

The Budget Process

By the first Monday in February, the president proposes a budget to Congress outlining how the government should spend its money. The president then formally sends the proposed budget to Congress along with an annual budget message.

Congress then passes a budget resolution. This document totals revenues and spending for the year and sets targets for how much will be spent in various categories. Spending is divided into two types: mandatory and discretionary.

Spending that does not need annual approval is called **mandatory spending**. Examples are Social Security benefit checks and interest payments on the government debt, which must be paid every year.

Discretionary spending is government expenditures that must be approved each year. These include things such as money for the Coast Guard, highway construction, and defense. Discretionary spending makes up only about one-third of the federal budget.

Appropriations Bills Another step remains before the government can actually spend any money: Congress must pass **appropriations bills**. These are laws that approve spending for a particular activity. Appropriations bills always begin in the House of Representatives. The Senate then works with the House to pass all appropriations bills by October 1, the beginning of the fiscal year. Appropriations bills must be approved by both houses and either signed into law or vetoed by the president.

Reading Check Explaining How does a fiscal year differ from a calendar year?

Budget of the U.S. Government The federal government publishes a collection of documents that contains the president's budget message and other budget-related publications. **Identifying What is the first step in the federal budget process?**



Chapter 25 677

Money Matters

Step 1: Planning a Class Trip Have students work in teams to create proposals for a class trip.

Directions Remind students that part of the government's budget process involves planning projects on which it will spend taxpayer money. Divide students into

groups. Have each group plan a class trip to the U.S. capital, Washington, D.C. Have the groups create a trip poster to represent their proposed plans. Posters should have labels describing the trips and images that represent their highlights.

Summarizing Have groups share their posters and plans with the class. **OL** (Project continued in Section 2)

Teach

R₁ Reading Strategy

Identifying Ask: What is a budget? (a blueprint or plan for how the government will raise and spend money) **BL**

R₂ Reading Strategy

Sequencing Information Have students read the section The Budget Process.

Ask: During the budget process, what happens after Congress outlines government spending? (Appropriations begin in the House and move to the Senate. They must be passed by both houses of Congress. The president then signs them into law or vetoes them.) **OL**

Reading Check Answer: A fiscal year does not have to include the same 12 months as the calendar year.

Caption Answer:

The president proposes a budget to Congress.

Hands-On Chapter Project Step 1



C Critical Thinking

Analyzing Information Ask: Which type of tax could have the greatest impact on those with higher incomes? (the progressive tax) Ask: Which type of tax could have the greatest impact on those with lower incomes? (regressive taxes) **OL**

W Writing Support

Personal Writing Have students read about regressive taxation. Ask students to write a paragraph expressing their personal views about whether or not regressive taxation is fair. Tell students to include at least two reasons for their opinions. **OL**

Caption Answer:
regressive tax

Revenues and Expenditures

Main Idea The federal budget has two main parts—revenues and expenditures.

Economics & You Do you sometimes have trouble matching what you earn to what you spend? Read to find out why the government faces the same challenge.

The federal budget contains two main parts—revenues and expenditures. The main sources of federal revenues are shown in the graph on page 679.

Revenues

Nearly half of the federal government's revenue comes from the income tax paid by individual Americans. Each year, every worker files a tax return, or a report that calculates the tax a worker must pay on his or her income. Corporations also pay income tax on profits they earn.

The second-largest source of federal income is payroll taxes, which are deducted from a worker's paycheck to fund **Social Security** and **Medicare**. Social Security provides money to people who are retired or disabled. Medicare pays some health care costs of elderly people.

Other taxes are also sources of revenue. Consumers pay an excise tax when they purchase goods such as gasoline, tobacco, and telephone services. When wealthy people die, the federal government collects estate taxes on the wealth passed on to their heirs. The government charges a tax on certain gifts. Miscellaneous sources such as entry fees to national parks also add to federal revenues.

Forms of Taxation

Taxes can be classified according to the effect they have on those who are taxed. In the United States today, these classifications



Taxation Whenever we buy gasoline, we not only must pay for the gasoline, but also federal and state taxes on the gasoline. **Identifying** What form of taxation is the tax on gasoline?

include progressive, regressive, and proportional taxes.

Progressive Tax With a *progressive* tax, like our federal income tax, the tax rate (the proportion of earnings taken in taxes) increases as income increases. Therefore, the higher the income, the larger the percentage of income is paid as taxes.

Regressive Tax The opposite of a progressive tax is a *regressive* tax: the percentage you pay goes down as you make more money. One example of regressive taxes is the gasoline tax. Poorer families spend a larger proportion of their income on gasoline. Therefore, the sales tax they pay on gasoline takes up a larger proportion of their total income than a wealthier family pays.

Differentiated Instruction

678 Chapter 25

Leveled Activities

BL Content Vocabulary Activity 25, URB p. 67

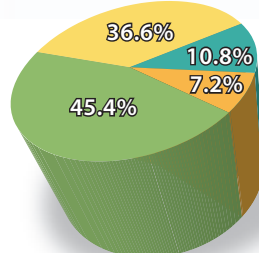
OL Chart, Map, and Graph Act. 25, URB pp. 77–78

AL Diff. Instr. Activity 25, URB pp. 79–80

ELL Guided Reading Activity 25-1, URB p. 85

The Federal Budget, FY 2007

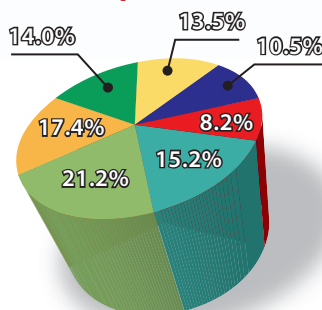
Revenues



- Individual income tax
- Payroll tax
- Corporate profits tax
- Other

FY 2007	
Receipts	\$2,416
Expenditure	- \$2,770
(Deficit)	- \$354
(in billions of dollars)	

Expenditures



- Social Security
- National defense
- Medicare
- Health
- Interest on debt
- Other

Source: Economic Report of the President, 2006.

Analyzing Graphs

- Identifying** What is the largest expenditure in the budget?
- Explaining** Does the 2007 budget show a surplus or a deficit? Explain.

S Skill Practice

Reading Graphs Remind students that payroll taxes go toward funding Social Security and Medicare. **Ask:** According to the graph, will payroll taxes cover expenditures for Social Security and Medicare in 2007? (Yes, Social Security and Medicare account for 34.7 percent of the budget, and payroll taxes account for 36.6 percent of revenues.) **OL**

C Critical Thinking

Determining Cause and Effect **Ask:** What might cause defense costs to rise? (U.S. involvement in a police action or war) **OL**

Analyzing Graphs

Answers:

- Social Security
- A deficit; the revenue taken in is \$354 billion less than expenditures.

Proportional Tax A *proportional* tax takes the same percentage of income from everyone, regardless of how much he or she earns. If there is a tax of 10 percent on all income and you earn \$1,000, you pay \$100 in taxes; if you earn \$10,000, you pay \$1,000 in taxes, and so on.

Federal Expenditures The graphs above show where the federal government planned to spend its money in 2007. Social Security was the largest single spending category. Because the number of older people in the population is growing, this expense is expected to grow in the future.

Medicare costs are also likely to rise as the population continues to age. Income security includes retirement benefits for some government workers and others, along with

payments to poorer Americans for housing and child nutrition. Health costs include payments for medical research and Medicaid, which pays for health care for people with low incomes.

Defense National defense is the second-largest category of federal expenditures. The original FY 2007 budget set defense spending at more than 17 cents of every federal dollar spent. During times of conflict or war, spending for national defense is increased. Because of the war on terrorism, the 17 percent represents an increase over the percentage of defense spending before September 11, 2001.

Differentiated Instruction

CHART, GRAPH, AND MAP SKILLS ACTIVITY 25

Interpreting a Flowchart

Learning the Skill

Flowcharts contain a variety of lines, arrows, and symbols to help students understand important information. These symbols lead readers through information such as a sequence of events or a series of steps. Flowcharts can help students understand the relationships between important facts or ideas by representing these relationships visually.

Use the following steps to interpret a flowchart:

- Identify the title and purpose of the flowchart. Consider how the purpose of the chart might affect its organization and the information included.
- Read the flowchart carefully, paying attention to the symbols used. Identify the starting point of the flowchart. Follow the path of the lines and arrows that lead from one part of the flowchart to the next. When the chart flows to more than one direction, notice the benefits and consequences of taking each course.
- Study the overall outcome (or outcomes) of the action described in the flowchart. Then, refer to the main idea and purpose of the flowchart, and draw conclusions based on the information you have found.

Practicing the Skill

Directions: Read the information in the flowchart below, and then answer the questions that follow on a separate sheet of paper.

Preparing the Federal Budget

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graph TD
    A[President proposes budget to Congress each year in February] --> B[Congress passes a budget resolution, setting a goal for spending, as well as a timetable for how to go through some steps to pass the bill]
    B --> C[Congress must pass an appropriations bill for each department, on the same day as the spending bill. If Congress fails to pass a bill by September 30, a temporary appropriations bill must be passed to keep the government running until September 30.]
    C --> D[All appropriations bills must be passed by September 15. From president and Congress can issue a temporary appropriations bill to keep the government running until September 30.]
    
```

Chart/Graph/Map Act. 25, URB pp. 77-78

Interpreting a Flowchart

- Objective:** To interpret a flowchart
- Focus:** Have students identify the steps in the Federal budget process.
- Teach:** Review the flowcharts.
- Assess:** Have students organize a random list of steps in the budget process chronologically.
- Close:** Have students create a flowchart showing the path of a Federal budget item.

Differentiated Instruction Strategies

- BL** Identify the second step in the Federal budget process.
- AL** Write a paragraph describing the kinds of information best presented in a flowchart.
- ELL** Make a list of things that flow and discuss how the idea of "flowing" applies to a flowchart.

D Differentiated Instruction

English Learners Give students a hundred pennies or chips and explain the hundred pennies represent a dollar of tax revenues. Ask students to identify and count out which group of pennies represents the amount of the budget spent on defense. (17) Students can refer to the graph on the previous page and name other groups of pennies. (21 *Social Security*, 15 *Other*, 14 *Income security*, 13 *Medicare*, 10 *Health*, 8 *Debt interest*) **ELL BL**

Reading Check **Answer:** due to increasing numbers of elderly people in the population

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review.

Close

Summarizing **Ask:** What is a government budget? (A blueprint of how the government will raise and spend money) **OL**

Section 1 Review

Interest on Debt and Other Expenditures A portion of the federal budget each year goes toward paying interest on the money the government has borrowed. The amount depends on how much money has been borrowed and the interest rates of that debt. The federal government also spends on programs from education to highways to natural resources. These categories account for billions of dollars of spending.

How the Budget Process Has Changed

When the federal government began its operation under the Constitution, it had few expenditures. As the government took on new functions, federal expenditures increased greatly. President George Washington was able to put all the figures for the national government's expenditures for one year on one large sheet of paper. Today the federal budget

consists of more than 1,000 pages of small type.

Changing Roles During much of American history, presidents traditionally played a limited role in researching and drawing up the budget. Various federal agencies usually sent their budget requests directly to the secretary of the treasury, who passed them on to Congress.

The Budget and Accounting Act of 1921 changed this procedure in an effort to streamline the process. As a result of this law, the president is responsible for directing the preparation of the budget and making the major decisions about national budget priorities. The law requires the president to propose to Congress the budget for the entire federal government, each fiscal year. This budget must be delivered within 15 days after Congress convenes each January.

Reading Check **Explaining** Why are Medicare and Social Security costs expected to rise?

Section 1 Review

Vocabulary

- Define** the following terms and use them in sentences related to federal budgeting: *budget*, *mandatory spending*, *discretionary spending*, *appropriations bill*, *Social Security*, *Medicare*.

Main Ideas

- Identifying** What is an example of mandatory government spending?
- Contrasting** How does a progressive tax differ from a proportional tax?

- Evaluating** If the government needed to increase government revenue, which kind of tax do you think it should increase? Why?

Critical Thinking

- BIG Idea** In a graphic organizer like the one below, show how the president and Congress cooperate to create the federal budget.

1	President sends budget to Congress
2	
3	
4	

- Analyzing Visuals** Study the 2007 federal budget on page 679. What two major categories are represented? What percentage of expenditures was budgeted for health?

CITIZEN Activity

- Persuasive Writing** Write a newspaper editorial supporting a position for or against this statement: The federal government should be required to balance its budget each year.



Study Central™ To review this section, go to glencoe.com.

Answers

- Sentences should use vocabulary words according to their definitions in the section and in the Glossary.
- Social Security, interest payments on government debt
- Progressive taxes increase as income increases. Proportional taxes take the same percentage of income from everyone.

- Answers will vary, but students should explain their choices.
1. President sends budget to Congress. 2. Congress passes a budget resolution. 3. Congress passes appropriations bills. 4. The president signs the bills into law.
- revenues and expenditures; 10.5 percent for health

- Editorials will vary. Students should clearly express their opinions and reasoning.

Guide to Reading

Big Idea

Political and economic institutions evolve to help individuals and groups accomplish their goals.

Content Vocabulary

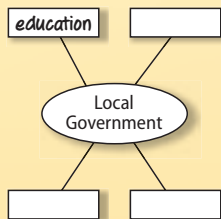
- intergovernmental revenue (p. 682)
- sales tax (p. 682)
- property tax (p. 682)
- entitlement program (p. 684)
- subsidize (p. 684)

Academic Vocabulary

- revenue (p. 682)
- utilize (p. 684)
- resource (p. 684)

Reading Strategy

Categorizing As you read, complete a graphic organizer like the one below to show the four major expenditures of local government.



State and Local Governments

Real World Economics Have you shopped on a “sales tax holiday”? It has been initiated in many states as a day when consumers do not have to pay any sales tax to the state. The sales tax holiday allows shoppers to save as much as 10 percent by eliminating the sales tax on certain products—school supplies, clothing, computers, and other items—for as many as 10 days at a time. In New York City, where the events of September 11th, 2001, caused economic devastation, store owners have looked to the sales tax holiday to help them rebound from difficult times.

▼ Store manager arranges stock for Alabama's sales tax holiday

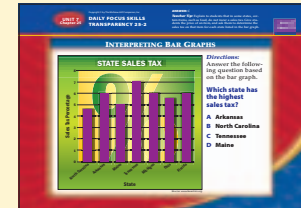


Focus



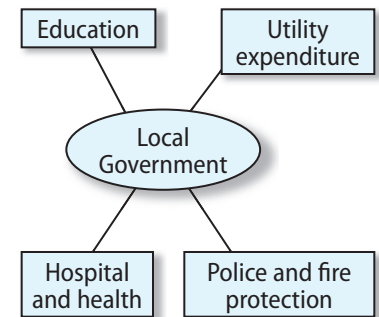
Bellringer

Daily Focus Transparency 25–2



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about state and local governments, have students watch the Section Spotlight Video for this section.

Resource Manager

R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Monitoring, p. 682 • Identifying, p. 684 • Inferring, p. 686 • Identifying, p. 686 Additional Resources <ul style="list-style-type: none"> • Cont. Vocab., URB p. 67 • Ac. Vocab., URB p. 69 • Guide. Read., URB p. 85 • RENTG, p. 237 	Teacher Edition <ul style="list-style-type: none"> • Compare and Contrast, p. 682 • Making Inferences, p. 685 Additional Resources <ul style="list-style-type: none"> • Biography, URB p. 71 • Crit. Think. Act., URB p. 75 • Quizzes and Tests, p. 298 	Teacher Edition <ul style="list-style-type: none"> • Advanced Learners, p. 685 Additional Resources <ul style="list-style-type: none"> • Enrich. Act., URB p. 13 	Teacher Edition <ul style="list-style-type: none"> • Persuasive Writing, p. 684 Additional Resources <ul style="list-style-type: none"> • Writing Skills Act., URB p. 73 	Teacher Edition <ul style="list-style-type: none"> • Reading Graphs, p. 683 Additional Resources <ul style="list-style-type: none"> • Daily Focus Trans., 25–2

Teach

C Critical Thinking

Compare and Contrast Ask: Which revenue sources for states and local governments are the same? (intergovernmental revenues, sales taxes, and income taxes) Which sources are different? (States collect contributions from state workers for their retirement plans. Local governments collect property taxes, fines, and fees.)

OL

R Reading Strategy

Monitoring Ask: Which type of property do most local governments tax? (real property—land and buildings) OL

Civics ONLINE

Objectives and answers to the Student Web Activity can be found at glencoe.com under the Web Activity Lesson Plan for this chapter.

Reading Check

Answer: Real property taxes tax land and buildings. Personal property taxes tax portable objects such as stocks and bonds, jewelry, and furniture.

Differentiated Instruction

Revenues

Main Idea State and local governments have their own revenue sources.

Economics & You Sales taxes raise the price of things you buy. Read to find out why this source of revenue is important to cities and states.

State and local governments have their own budget approval processes, **revenues**, and expenditures. The major sources of revenue for each are described below.

State Governments

The most important sources of state government revenues, shown in the graph on page 683, are **intergovernmental revenues**. This revenue is money that one level of government receives from another level. For states, most of this revenue comes from the federal government. The federal government gives states money for welfare, highway construction, hospitals, and other needs.

Sales Tax Next in importance is the state **sales tax**. A sales tax is a general tax levied on consumer purchases of nearly all products. The tax is a percentage of the purchase price, which is added to the final price the consumer pays. The merchant regularly turns over the taxes to the proper state government agency. Five states do not have sales taxes. Rates in the other states range from 2.9 percent to 7.25 percent.

Contributions A third source of state revenue is the contributions that states and state government workers make to their retirement plans. This money is invested until it is needed to pay retirement benefits.

Income Tax The last major category of revenue is state income taxes. As with sales tax rates, state income tax rates vary a great deal. Some states tax a percentage of the federal income tax. A few states charge a single rate to all taxpayers. In the other states, the rate goes up as income goes up. Seven states have no state income tax.

Local Governments

Intergovernmental revenues are even more important for many local governments than they are for states. The states provide most of this money.

Property Tax The second-largest source of local revenue is local **property taxes**. These are taxes that people pay on the land and houses they own. Property taxes are collected on real property and personal property. Real property includes lands and buildings. Personal property consists of portable objects—things that can be moved—such as stocks and bonds, jewelry, and furniture. Most local governments now tax only real property.

Other Sources Local governments have other revenue sources as well. These include revenue from water and utility systems, sales taxes, local income taxes, and fines and fees.

Many states allow their local governments to impose a local sales tax. Merchants collect these taxes right along with the state sales tax, at the point of sale. As indicated on the graphs on page 683, sales taxes are the fourth most important source of local government revenues. Another source of revenue is the local income tax, a tax on personal income. Fines for traffic and other violations and fees for permits and special services also provide income for local governments. Special assessments are fees that property owners must pay for local services. For example, a city may impose a special assessment when it improves a sidewalk.

Reading Check Contrasting How do real property and personal property taxes differ?

Leveled Activities

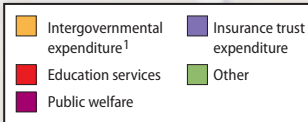
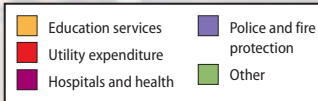
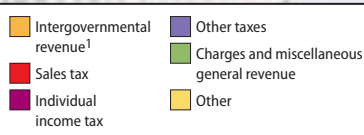
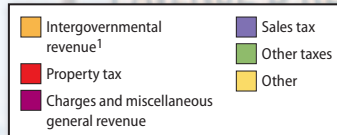
BL Biography Activity 25, URB pp. 71–72

OL Writing Skills Activity 25, URB pp. 73–74

AL Enrichment Activity 7, URB pp. 13–14

AL Crit. Think. Activity 25, URB pp. 75–76

See StudentWorks™ Plus or glencoe.com.



1. **Calculating** What are the three largest spending categories for local government? For state government?
2. **Comparing** Which level of government has the main responsibility for financing education?

¹Intergovernmental revenue is revenue distributed by one level of government to another.

Source: U.S. Census Bureau; *Statistical Abstract of the United States*, 2006.

Source: U.S. Census Bureau; *Statistical Abstract of the United States*, 2006.

S₁ Skill Practice

Reading Graphs Ask: What is the smallest revenue category for state government revenue? (taxes other than sales and individual income taxes) **BL**

S₂ Skill Practice

Reading Graphs Ask: What percentage of state revenues is disbursed to local governments? (28%). **OL**

Answers:

1. The three largest spending categories for local government are education services, other, and utility expenditure. The three largest spending categories for state government are intergovernmental expenditure, other, and public welfare.
2. local government

Objective: To understand how local governments manage finances

Focus: Students learn how local governments handle difficulties.

Teach: Discuss the financial difficulties of two cities.

Assess: Have students identify the causes of the fiscal crises in New York and Cleveland.

Close: Summarize the financial problems of New York City and Cleveland.

Differentiated Instruction Strategies

BI What is MAC?

AL Explain how New York City was able to avoid defaulting on its loans.

ELL What does the Enrichment Activity describe as the ideal budget scenario?

**Enrichment Activity 7,
URB pp. 13–14**

W Writing Support

Persuasive Writing Remind students that many human services provided by government are entitlement expenditures—programs to help those who qualify. Have students write a paragraph expressing their views about what kinds of entitlements citizens should have. Does the government provide enough or too much entitlement support? What is the proper balance between taxes and entitlements? Remind students to explain their reasoning. **OL**

R Reading Strategy

Identifying Ask: Which level of government provides police and fire protection? (local government) **BL**

Caption Answer:
state government

Hands-On Chapter Project Step 2

Money Matters

Step 2: Determining Cost Have students work in teams to break down the cost of their proposed class trips.

Directions Write the Big Idea on the board. Remind students that in order for governments to budget wisely they must keep track of expenditures. Explain that part of

Expenditures

Main Idea State and local governments use the revenues they take in to fund many different expenditures.

Civics & You What do you think is the most important service your local government provides? Why?

State and local governments **utilize**, or make use of, their revenues to fund various expenditures. These expenditures are shown in the lower graph on page 683.

State Governments

Public welfare, or human services, is the name we give to government expenditures that maintain basic health and living conditions for people who have insufficient **resources**, or money, of their own. Most of these expenditures cover **entitlement**

programs, such as health, nutritional, or income payments to people who meet established eligibility requirements.

Another category of state spending is colleges and universities. States **subsidize**, or pay part of the cost of, their citizens' college education. Without this subsidy, college students at state schools would have to pay higher tuition and other fees.

Although the federal government pays for building much of the interstate highway system, states are required to maintain those and additional highways. Other categories that take up smaller percentages of expenditures include employee retirement, hospitals and health facilities, and corrections institutions.

Local Governments

Local governments also provide services that they pay for with their revenues. Among the services that local governments provide are education, police and fire protection, and water, sewage, and sanitation services.

Government Services A street sweeper cleans the streets as residents of Trenton, New Jersey, clean up after the Delaware River overflowed its banks in July 2006. Different levels of government must work together to deal with emergencies. **Identifying Which branch of government has primary responsibility for maintaining highways?**



the government budget process involves determining the costs of proposed programs. Have students continue working with the proposed class trips they planned in Step 1. Ask each group to research the cost of their trips. Have students create a chart outlining trip expenses. Their charts should include information about the cost of: transportation, attraction ticket prices,

meals, housing, and any special expenses. Encourage them to brainstorm possible unexpected costs or changes of plans.

Summarizing Have each group share its expense charts with the class. Encourage volunteers to share what they learned about the Big Idea while working on their expense charts. **OL**

(Project continued in Section 3)

Education A large share of local tax revenues in many states goes to pay for public schools. Some states pay a large percentage of local public school costs, but local school districts generally provide a large share of the money and make the key decisions regarding operation of the public schools.

Police and Fire Protection Police and fire protection also make up a large part of local budgets. Fire protection is a local function that varies with the size of the community. In small towns, volunteers usually staff the fire department. In large cities, professional, full-time fire departments provide fire protection.

Water Supply Local governments make the vital decisions regarding water service. Smaller communities may contract with privately-owned companies to supply water. The threat of pollution has prompted some

local governments to create special water districts. In case of a water shortage, such districts or local governments may try to limit the amount of water used.

Sewage and Sanitation Local governments are responsible for sewage disposal. Proper sewage treatment is vital to the conservation of useful water supplies. Many local governments maintain sewage treatment plants.

In the past, most trash and garbage was buried. Because of environmental concerns, these landfills are no longer the simple solution to sanitation. Some local governments use garbage-processing plants to dispose of a community's solid wastes.

Reading Check **Identifying** What level of government makes most of the key decisions regarding operation of the public schools?

C Critical Thinking

Making Inferences **Ask:** Why might small towns be likely to have a volunteer fire department? (Small towns often have less revenue than larger towns.) **OL**

D Differentiated Instruction

Advanced Learners Have students research and write a one-page report on ways that local governments are using revenues to deal with threats to their water supply, such as pollution. **AL**

Reading Check **Answer:** local government

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review.

Close

Predicting Consequences **Ask:** What would happen if citizens stopped paying taxes? (The government would no longer be able to function and to fund programs.) **OL**

Section 2 Review

Chapter 25 685

Section Review 2

Vocabulary

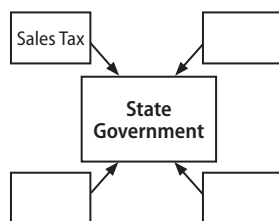
- Write** sentences related to state and local governments using the following terms: *intergovernmental revenue, sales tax, property tax, entitlement program, subsidize*.

Main Ideas

- Identifying** What are the largest sources of revenue for state and local governments?
- Describing** What is the effect of state subsidies on the cost of public colleges and universities?

Critical Thinking

- Evaluating** If you needed to raise local government revenues, which source of revenue would you target for an increase? Explain.
- BIG Ideas** In a graphic organizer like the one below, explain how a state government gets its revenue.



- Analyzing Visuals** Study the two graphs that appear on page 683. Are police and fire protection the responsibility of state or local government?

CITIZENSHIP Activity

- Expository Writing** Write a newspaper article that includes your own experiences with local government. Focus on one of these issues: police or fire protection, sewer or water services, trash disposal, or education.



Study Central™ To review this section, go to glencoe.com.

Answers

- Definitions for the vocabulary words are found in the section and in the Glossary.
- intergovernmental revenue
- State subsidies help lower the cost of public colleges and universities.
- Answers will vary. Students must explain their answers.
- State Government: Sales Tax, Intergovernmental revenue, Income Tax, Other Taxes
- local government
- Articles will vary. Articles should address students' own experiences and be clearly written.

**C Critical Thinking**

Making Inferences Ask: **When might a higher-priced product be a better value than a lower-priced similar product?**

(when the higher-priced product is of better quality than the lower-priced product) **OL**

This **Reading Strategy** (Making Inferences) was introduced in this unit.

R Reading Strategy

Identifying Ask: **What information do you need to compute the unit price of a product?** (the price and the weight or the amount of the product) **OL**

**Analyzing Economics****Answers:**

1. The \$1.20 loaf is a better buy.
2. Possible answers include the most economical size is too large and would spoil before it could be completely used; the economical size has a larger price and the buyer does not have enough cash to purchase the product.

Additional Support**How Do You Calculate Unit Prices?**

Trying to compare the prices of different amounts of a product—one pound of Product A versus one-half pound of Product B—can be confusing. To get the most for your money, it is important to compare the price, amount, and quality of similar products. Unit pricing can help. The unit price tells you the costs per “unit” (such as per ounce, per pound, per sheet) to buy the product.

Your supermarket offers three sizes of the same cereal.

Cereal	Cereal	Cereal
32 oz.	20 oz.	14 oz.
\$5.76	\$3.40	\$2.52

R To compute the unit price—the price per ounce, in this case—you need to divide the price of each item by its weight. Here is the formula:

$$\text{Unit price} = \frac{\text{Price}}{\text{Weight}}$$

Which one is the best buy?

\$5.76 divided by 32 ounces = 18¢

\$3.40 divided by 20 ounces = 17¢

\$2.52 divided by 14 ounces = 18¢

In this case, the 20-ounce box offers the best price at 17 cents per ounce.

**Analyzing Economics**

1. **Calculating** Figure the unit price and compare accuracy to the unit price sticker. For example, which is the better buy: a 16-oz. loaf of bread at \$.96 or a 25-oz. loaf at \$1.20?
2. **Explaining** Can you think of a situation in which you would *not* buy a product at the most economical price? Explain your reasons.

Activity: Economics Connection

Calculating Unit Prices Have pairs of students work to compile lists of prices and amounts for ten typical grocery store items. They should compare at least two different sizes of the same type of product and include a variety of items, such as milk, rice, and soap. Students may get information from advertisements, store circulars, or on-site research.

After they have compiled their lists, have students work separately to calculate the unit price of each item. When students have finished calculating the unit price for the items on their lists, have pairs switch papers and check each other's work. **OL**

Guide to Reading

Big Idea

Political and economic institutions evolve to help individuals and groups accomplish their goals.

Content Vocabulary

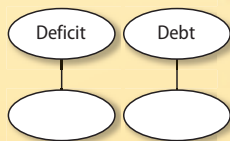
- surplus (p. 688)
- deficit (p. 688)
- bond (p. 688)
- debt (p. 688)
- balanced budget (p. 688)
- automatic stabilizer (p. 692)

Academic Vocabulary

- precise (p. 688)
- ideological (p. 691)

Reading Strategy

Explaining As you read, complete a graphic organizer like the one below to explain the differences between a federal deficit and the federal debt.



Section 3

Managing the Economy

Real World Economics This clock is the same in all time zones. The National Debt Clock, created by New York City historian Seymour Durst, acts as a wake-up call to citizens in the United States, making them aware of how much the nation has economically overextended itself—how much money it owes. Today, the national debt is approaching the \$10 trillion mark, an amount so enormous most people cannot understand it. The clock spells it out.

▼ National Debt Clock in midtown Manhattan, New York City

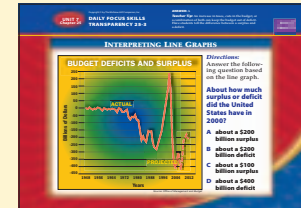


Focus



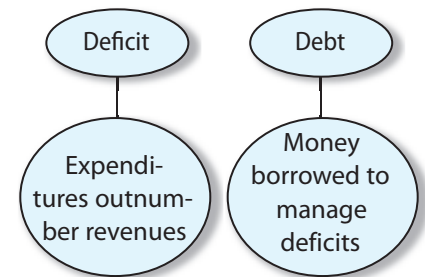
Bellringer

Daily Focus Transparency 25–3



Guide to Reading

Answers to Web Diagram:



Section Spotlight Video

To learn more about managing the economy, have students watch the Section Spotlight Video for this section.

Resource Manager

R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Making Connections, p. 689 • Monitoring, p. 691 • Summarizing, p. 692 Additional Resources <ul style="list-style-type: none"> • Cont. Vocab., URB p. 67 • Ac. Vocab., URB p. 69 • Guid. Read., URB p. 87 • Foldables, p. 99 	Teacher Edition <ul style="list-style-type: none"> • Cause and Effect, p. 688 • Making Inferences, p. 688 • Drawing Conclusions, p. 689 • Comparing and Contrasting, p. 690 Additional Resources <ul style="list-style-type: none"> • Quizzes and Tests, p. 299 	Teacher Edition <ul style="list-style-type: none"> • Interpersonal, p. 688 Additional Resources <ul style="list-style-type: none"> • Diff. Instr. Act., URB p. 79 • School-to-Home Act., URB p. 81 	Teacher Edition <ul style="list-style-type: none"> • Personal Writing, p. 691 	Teacher Edition <ul style="list-style-type: none"> • Reading Graphs, p. 690 Additional Resources <ul style="list-style-type: none"> • Daily Focus Trans., 25–3 • Pol. Cartoons Trans. 25

Teach

D Differentiated Instruction

Interpersonal Organize students into small groups and have them discuss constructive ways that individuals can deal with personal debt. **OL**

C₁ Critical Thinking

Cause and Effect Ask: *Why does the government sometimes go into debt? (When the government has a deficit it must borrow money to pay its bills.)* **OL**

C₂ Critical Thinking

Making Inferences Ask: *Why do governments usually need to spend more on entitlements during bad economic times? (At these times more people are in need of economic assistance from the government.)* **OL**

Surpluses and Deficits

Main Idea Governmental budgeting can result in either a surplus, a deficit, or a balanced budget.

D Economics & You Do you find it easy to estimate how much money you will need over a week or a month? Read to find out why estimating is a challenge for most governments.

Governmental budgeting can be difficult. A budget, after all, is built on forecasts, which are not always **precise**, or exact. If tax revenues are lower than expected, the budget is in trouble. The same is true if expenses are higher than anticipated because of some emergency. In this section, you will learn what happens when the government spends more—or collects more—than it planned. You will also see what steps governments can take to try to influence the economy in certain ways.

When a government spends less than it collects in revenues, it enjoys a **surplus**. A government runs a **deficit** when it spends more than it collects in revenues. Review the proposed federal budget from Section 1 on page 679. As you can see, the federal government planned to end the fiscal year with a deficit of \$354 billion. Look at graph A on page 690. You will see that the federal government had deficits for almost all the years shown on the graph.

From the Deficit to the Debt

C₁ When the federal government runs a deficit, it must borrow money so it can pay its bills. This borrowing is similar to an individual overspending his or her income and using credit. The government borrows money by selling **bonds**. A bond is a contract to repay the borrowed money with interest at a specific time in the future. When you buy United States savings bonds, you are also lending funds to the federal government.

State and local governments can borrow by selling bonds to finance some of their activities. All the money that has been borrowed over the years and has not yet been paid back is the government's **debt**, also known as the national debt.

When a government runs deficits, its total debt goes up. On the other hand, surpluses can be used to cut the debt. Suppose, for example, that the U.S. government had a deficit of \$100 billion in one year, followed by a deficit of \$75 billion the next. If the country had no earlier debt, it would have a total debt of \$175 billion after two years. Suppose it then had a surplus of \$50 billion in the third year. That money could be used to reduce the debt to \$125 billion.

How Big Is the Debt? The national debt has grown almost continuously since 1900, when the debt was \$1.3 billion. By 1940 it was \$50.7 billion. Huge budget deficits in the early 1990s and early 2000s have pushed the national debt held by the public to approximately \$4.9 trillion by October 2006. This equals about \$16,365 for every man, woman, and child in America.

A Balanced Budget

The government achieves a **balanced budget** when spending equals revenues. The federal government is not required by law to have a balanced budget, but 48 states and many local governments are. In these cases, governments must cut spending when revenues go down.

C₂ During bad economic times, revenues often go down. Yet those are the times when states need to spend more on entitlements. This can make the budgeting process situation difficult. Many state and local governments are prohibited from borrowing to pay operating expenses. For that reason, they try to maintain an emergency fund balance—a government savings account from which deficits can be paid.

Hands-On Chapter Project Step 3

Money Matters

Step 3: Dealing with Deficits Have students continue to work in teams to deal with a revenue deficit for their planned class trips.

Directions Remind students that overestimated income and unforeseen expenses can spoil the most carefully drawn budget.

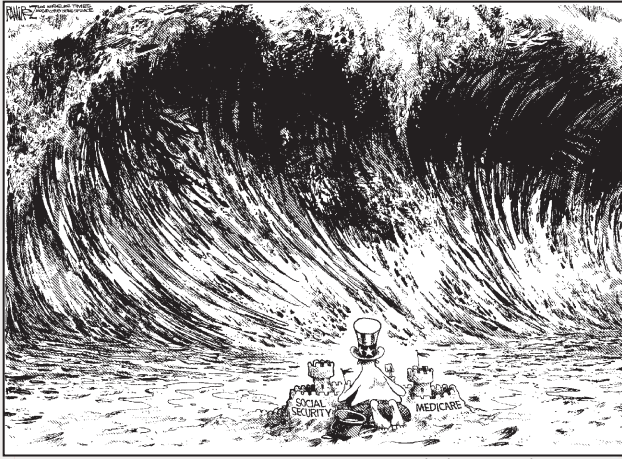
Using the expense charts they created in Step 2, have students deal with a deficit in revenues for their planned class trip. Write different percentages on slips of paper (10%, 25%, 75%, etc.), fold the slips of paper in half, and place them in a paper bag. Have someone from each group select a slip of paper. The percentage on the slip will determine the size of the deficit in the trip bud-

get of each group. Have each group brainstorm a plan for dealing with the deficit. The groups might decide to borrow money or to scale back trip expenses.

Summarizing Have each group share their new plans with the class. **OL**

(Project continued on the Visual Summary page)

TIME Political Cartoons



Michael Ramirez/Copley News Service

Every year, more than half of all Americans do volunteer work. One of the responsibilities of citizenship is to help make the world a better place. If you are a volunteer, you are helping to make the world a better place.

America's major entitlement programs are the subject of this cartoon by Michael Ramirez.

1. How are Social Security and Medicare represented?
2. What does the wave stand for?
3. What do you think the cartoonist's outlook is for the future of Social Security and Medicare?

Impact of the National Debt

When the government spends more than it collects in tax revenues, it has to borrow the difference. You have learned that deficits lead to debt. But what does debt lead to?

Even though we owe most of the national debt to ourselves—through the purchase of bonds—the debt can affect the economy in several ways.

Paying Interest The national debt's most direct impact on the federal budget is the amount of tax money needed each year to finance past borrowing. Every year the interest on the national debt must be paid. U.S. taxpayers shoulder the responsibility of paying the interest. In fiscal year 2006, interest on the publicly held debt amounted to \$218 billion. This total is roughly equal to one-quarter of all personal income tax revenue collected for 2006, and is a larger amount than the federal share of the payments for Medicaid.

The larger the national debt, the larger the interest payments, and, therefore, the more

taxes needed to pay them. When people pay more taxes to the government, they have less money to spend on their own needs.

Interest Rate Additionally, when the federal government borrows money, it leaves less for citizens and private business to borrow. According to the law of supply and demand, an increase in the government's demand for credit will push up the price of credit—the interest rate. A Federal Reserve study in 2003 concluded that for every percentage point increase in the deficit as a share of GDP, long-term interest rates will rise by one-quarter percent. For example, you purchase an automobile for \$20,000. Based on a four-year loan at 8 percent interest, your cumulative payments total \$23,436.48, of which \$3,436.48 is interest. If the interest rate is 9 percent, you pay an additional \$453.21 in interest over the life of the loan.

Reading Check Explaining How does the federal government get money when it runs a budget deficit?

Reading Strategy

Making Connections Ask: What is the connection between deficits and higher taxes? (When the government has deficits, it has to borrow money; it then has to increase taxes to pay the interest on the debt.) **OL**

Critical Thinking

Drawing Conclusions Ask: Why are higher interest rates bad for the health of the economy? (Higher interest rates lead to reduced employment by making it more difficult for businesses to borrow money to invest in their businesses and to hire workers.) **OL**

TIME Political Cartoons

Answers:

1. Social Security and Medicare are represented as sand castles.
2. The wave stands for the federal deficit.
3. The cartoonist's point is that Social Security and Medicare are in danger of being washed away by the deficit.

Reading Check Answer: The federal government borrows money by selling bonds.

Differentiated Instruction

DIFFERENTIATED INSTRUCTION ACTIVITY 25

Paying Income Taxes

The Internal Revenue Service (IRS) is the government agency responsible for collecting federal income taxes. Your employer withholds a certain amount to cover your taxes. Your employer's withholding is based on the amount of money you earn and the amount of money you claim as exemptions. The chart below helps show how federal income tax is calculated.

Annual Income	Standard Deduction	Personal Exemptions	Adjusted Gross Income	Estimated Tax
\$10,000	\$1,000	1	\$8,000	\$1,000
\$15,000	\$1,000	1	\$13,000	\$1,500
\$20,000	\$1,000	1	\$18,000	\$2,000
\$25,000	\$1,000	1	\$23,000	\$2,500
\$30,000	\$1,000	1	\$28,000	\$3,000
\$35,000	\$1,000	1	\$33,000	\$3,500
\$40,000	\$1,000	1	\$38,000	\$4,000
\$45,000	\$1,000	1	\$43,000	\$4,500
\$50,000	\$1,000	1	\$48,000	\$5,000
\$55,000	\$1,000	1	\$53,000	\$5,500
\$60,000	\$1,000	1	\$58,000	\$6,000
\$65,000	\$1,000	1	\$63,000	\$6,500
\$70,000	\$1,000	1	\$68,000	\$7,000
\$75,000	\$1,000	1	\$73,000	\$7,500
\$80,000	\$1,000	1	\$78,000	\$8,000
\$85,000	\$1,000	1	\$83,000	\$8,500
\$90,000	\$1,000	1	\$88,000	\$9,000
\$95,000	\$1,000	1	\$93,000	\$9,500
\$100,000	\$1,000	1	\$98,000	\$10,000

Directions: Use the chart and information in your textbook to answer the questions below. Write your answers on a separate sheet of paper.

1. **Explaining** What is the difference between the first two rows?
2. **Classifying** What would the marginal tax rate be for a married couple if one spouse makes \$25,000 a year and the other makes \$25,000 a year?
3. **Interpreting** If the couple mentioned in Question 2 had no dependents, how much could they deduct from their total income?

Diff. Instruction Act. 25, URB pp. 79–80

Paying Income Taxes

- Objective:** To understand federal income tax
- Focus:** Students will calculate taxable income.
- Teach:** Review these terms: "taxable income," "marginal tax rate," "dependency exemption," and "personal exemption."
- Assess:** Have students define each of the terms reviewed.
- Close:** Have students calculate the taxable income for earnings of \$23,500, \$62,750, and \$225,000.

Differentiated Instruction Strategies

- BL** Examine an IRS tax form. Write a list of questions about the parts you do not understand.
- AL** Research and write a report about efforts to simplify the tax system. Include three different ideas for revision.
- ELL** Make a list of programs that taxes support. Illustrate one of them.

C Critical Thinking

Comparing and Contrasting Ask: What do surpluses and deficits have in common? (They are both related to revenues and expenditures.) Ask: How do they differ? (Surpluses occur when government revenues are in excess of government expenditures. Deficits occur when government revenues are below government expenditures.) **OL**

S Skill Practice

Reading Graphs Ask: What percentage of the national debt is held by government accounts? (42 percent) **BL**

Analyzing Graphs

Answers:

- 1998—2000
- From 1970 until 1980, the national debt rose slightly. From the 1980s to the 1990s, the national debt rose more sharply. It leveled off during the late 1990s but rose dramatically after 2000.

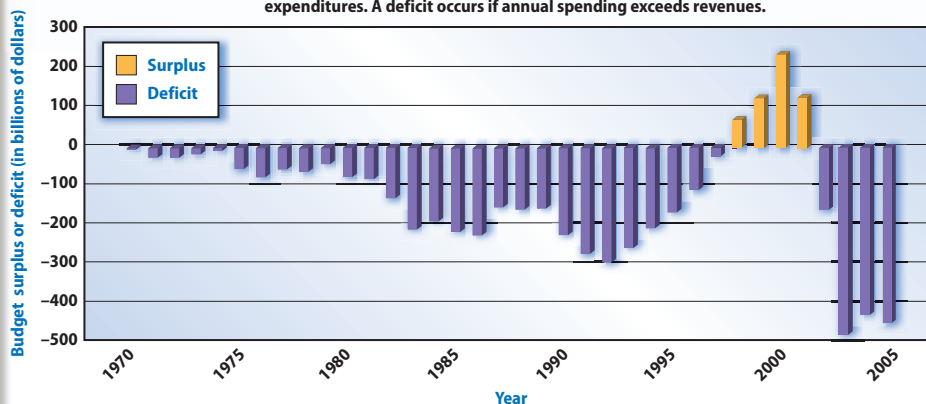
Differentiated Instruction

The Deficits and the Debt

Graphs in Motion
See StudentWorks™ Plus or glencoe.com.

Federal Budget Surpluses and Deficits

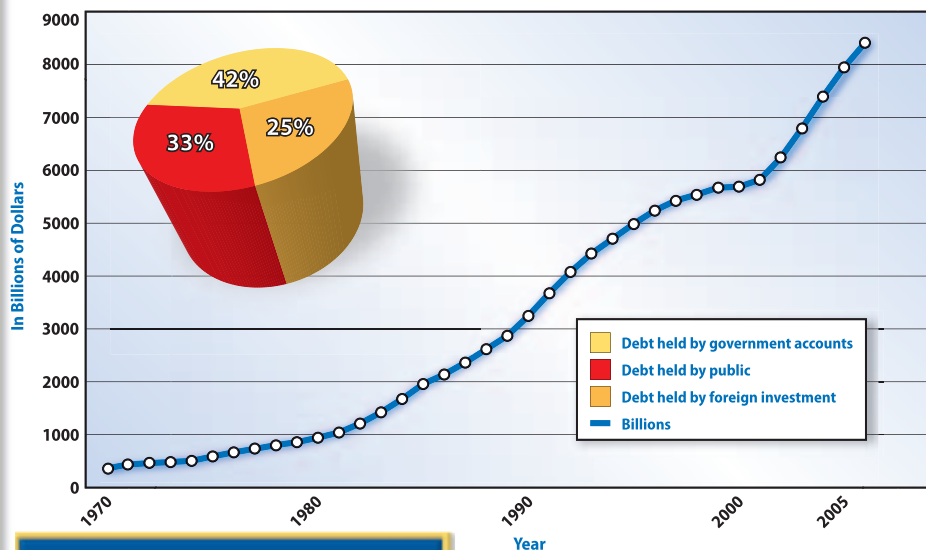
A surplus occurs when government revenues exceed government expenditures. A deficit occurs if annual spending exceeds revenues.



Source: U.S. Office of Management and Budget; U.S. Treasury Department.

The National Debt

When the government spends more than it collects in tax revenues, it has to borrow the difference. The national debt is the total sum of funds the federal government has borrowed over the years and has not yet paid back.



Source: U.S. Office of Management and Budget; U.S. Treasury Department.

Analyzing Graphs

- Analyzing** During what years did the federal budget show a surplus?
- Summarizing** Describe the changes in the national debt during each of the decades shown on the graph.

Leveled Activities

BL Reteaching Activity 25, URB p. 83

OL School-to-Home Activity 25, URB p. 81

OL Academic Vocabulary Activity 25, URB p. 69

ELL Guided Reading Activity 25-3, URB p. 87

Fiscal Policy

Main Idea The tool of fiscal policy can help governments control the economy.

Economics & You Do you need to talk your friends into doing something they already want to do? Of course not! Read how this idea applies to fiscal policy.

The role of government in the nation's economy extends beyond its activities as a regulator of specific industries. The government also manages the pace of economic activity. As you learned in Chapter 23, the federal government can try to use taxes and spending to help the economy grow. This practice is known as fiscal policy.

In theory, the government can stimulate the economy during a recession by increasing spending and cutting taxes. When the economy begins to grow again, less stimulus is needed. In those times, the government can reduce spending and increase taxes.

Fiscal Policy in Practice

Nonetheless, these decisions are difficult to make. Many people want lower taxes regardless of the state of the economy. Many people also want government services, so the federal government has a difficult time cutting spending even when the economy is strong.

Does Fiscal Policy Work? Some lawmakers oppose increased spending or tax cuts on ideological grounds, or sets of beliefs they hold. Even when leaders agree that a stimulus is needed, they often argue over where and how to spend the money.

Moreover, government action does not always have the desired effect. Sometimes it takes a long time for political leaders to agree on a plan to stimulate the economy. By then, many months may have passed, and the economic situation may have changed.

TIME Teens in Action

Katie Anderton

The homeless shelter Bethesda House in Schenectady, New York, has found the perfect volunteer in Katie Anderton. This 16-year-old from the same city says, "A lot of people my age are afraid of anyone different from them, but I don't see differences—I see people."



QUESTION: What is Bethesda House?

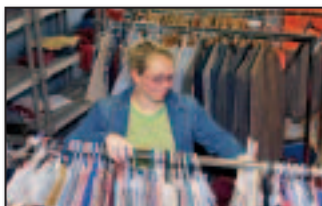
ANSWER: It's the lead agency serving the homeless in Schenectady. They're trying to end homelessness and make our community a welcoming place for everyone to live.

Q: What does it do to help?

A: Everything! Bethesda House has things like hot meals, showers, and a laundry. There's a medical clinic for people with no health insurance and case managers to assist people to find affordable housing. The agency also helps to educate the community about homelessness, to advocate for fairness in jobs, salaries, and health insurance.

Q: Wow! How many people does it assist?

A: Almost 8,000 different people come to Bethesda House each year. More than 60,000 meals are served. Over 500 homeless people are placed in emergency shelters and 85 percent of them are helped to move into permanent housing.



Making a Difference

CITIZENSHIP

Explaining What is the purpose of Bethesda House?

R Reading Strategy

Monitoring Ask: How can the government stimulate the economy during a recession? (The government can increase spending and cut taxes.) **OL**

W Writing Support

Personal Writing Have students write one paragraph expressing their personal opinions about taxes and government spending. How willing are they to pay higher taxes for government services? **OL**

TIME Teens in Action

Answer: The purpose of Bethesda House is to serve the homeless in Schenectady.

Additional Support

Teacher Tip

Discuss the importance of being prepared and courteous during an interview. Have students schedule an appointment at a convenient hour for the community volunteer, be on time, and thank the volunteer for his or her time.

Activity: Interdisciplinary Connection

Language Arts Have students interview a community volunteer. Tell students to prepare the following questions: For which organization do you work? What is its mission? How does it attempt to fulfill its mission? What does the volunteer do while working for the organization? How can others interested in volunteering get involved?

In addition, have students ask the volunteer at least two questions of their own devising. One question should be prepared in advance of the interview. The other question should be one that arises during the interview.

Have students share what they learned with the class. **AL**

R Reading Strategy

Summarizing What automatic stabilizers does the economy have and how do they work? (Unemployment benefits help workers who lose their jobs. The federal progressive income tax lowers tax rates on people when their income goes down and raises it when their income rises.) **OL**

Reading Check **Answer:** Because policies do not always have the desired effect and because planning takes time, the government cannot always react quickly to economic situations.

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review content.

Close

Determining Cause and Effect Have students discuss the effects of government surpluses and deficits on the economy. **OL**

Section 3 Review

Automatic Stabilizers

It is difficult for the federal government to use fiscal policy to effectively stabilize the economy. However, the economy has a number of **automatic stabilizers**. These are programs that begin working to stimulate the economy as soon as they are needed. The main advantage of these programs is that they are already in place and do not need further government action to begin.

Unemployment Benefits Unemployment insurance programs are one example of automatic stabilizers. When people lose their jobs—as may happen in a recession—they collect unemployment payments. These payments are not very large. Still, they do give people some help until they can find a new job—or until the economy improves and they are hired back by their former employers.

Income Tax The fact that the federal income tax is progressive is another stabilizer. Remember that a progressive tax is based on a taxpayer's ability to pay. The higher a person's taxable income, the higher the tax rate. Progressive tax rates are lower at lower income levels. When people lose their jobs, their income goes down, pushing them into a lower tax bracket. The lower bracket helps ease the impact of the cut in income.

When the economy recovers, the opposite happens. People make more money and, therefore, need and receive less help from entitlements. Generally, automatic stabilizers go into effect much more rapidly than discretionary fiscal policies—policies that governments *choose* to implement.

Reading Check **Explaining** Why is fiscal policy difficult to implement?

Section Review

Vocabulary

- Define** the following terms and use them in sentences related to governmental management of the economy: *surplus, deficit, bond, debt, balanced budget, automatic stabilizer*.

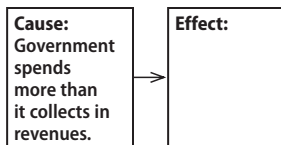
Main Ideas

- Explaining** What two situations can cause a budget deficit?
- Describing** What is the main advantage of an automatic stabilizer?

Critical Thinking

- Concluding** Do you think the federal government should be required, like most state governments, to balance the budget every year? Explain.

- BIG Idea** In a graphic organizer like the one below, explain the effect of a government budget deficit.



- Analyzing Visuals** Look at the graphs on page 690 that show the deficit and the debt. Describe the deficit in the 1970s compared to that of the 1990s.

Citizenship Activity

- Persuasive Writing** Write a paragraph that supports a position on the following statement: In a free-market system like ours, it should never be the government's job to stimulate the economy.



Study Central™ To review this section, go to glencoe.com.

Answers

- Sentences should use vocabulary words according to their definitions in the section and in the Glossary.
- Lower tax revenues and higher expenses than expected can cause a budget deficit.
- Automatic stabilizers are already in place and can begin to stimulate the economy as soon as they are needed.
- Answers will vary. Students should explain their reasoning.
- Effect: The government is forced to borrow money, which leads to increased national debt and higher interest rates.
- The debt in the 1970s rose slowly. The debt in 1990s increased sharply.
- Students' positions will vary. They should use the information in this section to support their positions.

American taxpayers finance most local, state, and federal governments.

In return, they receive services such as education, entitlement programs, police and fire protection, national defense, and highway construction.

The federal budget is the government's blueprint for raising revenues and spending money—its expenditures.

Governmental budgeting can result in either a surplus, a deficit, or a balanced budget.

State and local governments also have revenues and expenditures.

Fiscal policy is a tool that can help governments control the economy.

The published U.S. budget

Taxes pay for city services

Making Connections The photograph at the bottom right shows a city street sweeper cleaning the streets. For what other types of services do taxes pay? (Answers may include entitlement programs, highway maintenance, police and fire protection.) **OL**

Summarizing Have students find an editorial on government fiscal policy on the Internet. Ask students to state the overall position of the editorial, and then summarize it by listing its main points. Have students number each point in their summary. Then have students print out the editorial. Ask them to highlight and number the points in the editorial to match the numbered points in their summary. **OL**

Government prints money

The price of gasoline includes an excise tax



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Hands-On Chapter Project Step 4: Wrap-Up

Money Matters

Step 4: Reviewing the Planning Process Students will present a final report on their class trip.

Directions Write the Big Idea on the board. Ask student groups to prepare short reports about their efforts to deal with their class trip budget deficit. Have students review their

initial expense charts from Step 2. Then have the groups collaborate on writing an overview of the steps they took to deal with the deficit. Their reports should include information on: the amount of the original budget, the size of the deficit, the options the group considered, and the choices the group made to deal with their budget deficit.

Summarizing Once again have the groups present the posters they created in Step 1 to the class. Using the posters as a backdrop, have groups present their reports to the class. Encourage students to share what they learned about the Big Idea throughout the Hands-On Project. **OL**

Answers and Analyses

Reviewing Vocabulary

1. C Choices B and D refer to kinds of taxes. Answer A refers to money raised from taxes. Students should understand that the president and Congress work together to create the budget, it is a blueprint of how the government will raise and spend money.

2. A In this question, the most confusing distractor will probably be answer B, "Medicare." Students should be able to note the key differences between Social Security and Medicare after reading about government expenditures. Recognizing that Medicare specifically covers health care should eliminate it as the correct answer and lead students to answer A as the correct choice.

3. D The phrase in the question that most clearly suggests the right answer is "consumer purchase." Students should remember from their reading that sales taxes are levied on products purchased by consumers.

4. B While all of the answer options here are elements of the government's financial processes, only one concerns borrowing money. A deficit is when expenditures exceed revenues. Entitlement programs are a large expenditure by the government. Appropriations are laws passed by Congress to approve spending. Eliminating these answers leaves B, "bonds," as the correct choice.

Reviewing Main Ideas

5. A Choices B and C might be the major distractors. But each refers to a tax rate that decreases in relation to income. One meaning of the word "progressive" is "increasing in extent." It would be applied to a tax that increases as the income increases.

6. D Keeping in mind that interest is a charge for borrowed money will lead students to the correct answer for this question. Interest is not paid by money lenders nor is interest paid on taxes and scientific research. These facts eliminate answers B and C. Students will recall that a portion of each year's federal budget

TEST-TAKING TIP

When reading a question, note words that tell you that your answer is to be in the negative, such as *Which of these is NOT...* or *All of these EXCEPT...*

Reviewing Vocabulary

Directions: Choose the word(s) that best completes the sentence.

- Each year the president and Congress have to agree on a plan for spending called a _____.
A revenue **C** budget
B progressive tax **D** regressive tax
- _____ provides government money to people who are retired or disabled.
A Social Security **C** Appropriations bills
B Medicare **D** Proportional taxes
- A(n) _____ is usually levied on consumer purchases of almost all products.
A property tax **C** education tax
B entitlement **D** sales tax
- The government borrows money by selling _____.
A deficits **C** entitlement programs
B bonds **D** appropriations

Reviewing Main Ideas

Directions: Choose the best answer for each question.

Section 1 (pp. 676–680)

- The federal income tax is a progressive tax, which means the _____.
A tax rate increases as income increases
B tax rate decreases as income increases
C tax rate decreases as income decreases
D tax rate and income are not related

- A portion of the federal budget each year pays for the interest on _____.
A money lent to Great Britain
B money collected in taxes
C money spent on scientific research
D money borrowed by the government

Section 2 (pp. 681–685)

- The largest source of revenues for local governments are _____.
A property taxes
B intergovernmental revenues
C local income taxes
D fines and fees
- Which of the following is funding that state governments are NOT responsible for?
A welfare and health programs
B universities and colleges
C interstate highway maintenance
D water supplies and sewers

Section 3 (pp. 687–692)

- Managing the nation's fiscal policy _____.
A requires the president and Congress to work together
B is left entirely to Congress
C is voted on by the people of Washington, D.C.
D must be approved by the Supreme Court
- The best financial situation for the United States is to have _____.
A deficits exceed surpluses
B surpluses exceed deficits
C deficits exceed revenues
D deficits and surpluses to be equal

GO ON 

goes toward paying interest on money the government has borrowed.

7. B This question presents a challenge in that all the answers are forms of revenue for local governments. To answer this question, students must review the graph illustrating State and Local Government revenues. The graph shows intergovernmental revenue is clearly the largest percentage of revenue for local governments.

8. D Students who carefully read the "Expenditures" portion in Section 2 will be able to answer this question.

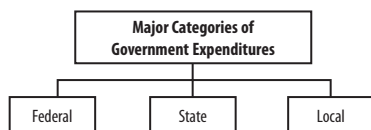
9. A Students should recognize that managing fiscal policy involves regulating spending and taxes in an attempt to help the economy grow. Students should immediately be able to eliminate answers C and D. Furthermore, students should remember that spending and taxes are elements of the budget process that require coopera-

Critical Thinking

Directions: Choose the best answer for each question.

11. What trend can be seen when looking at the size of the national debt over decades?
A It gets smaller every year and could be paid off in ten years.
B It is a very small part of the federal budget.
C It grows larger every year and will be difficult to pay off.
D It developed because the government had a revenue surplus every year.
12. What trend is expected with Medicare costs in the future?
A The costs will go up steadily.
B The costs will go down dramatically.
C The costs will remain stable with little change.
D The government will do away with the Medicare program.

Base your answer to question 13 on the diagram below and your knowledge of Chapter 25.



13. Expenditures for Social Security and national defense best fit under which level of government?
A Federal
B State
C Local
D Federal and State

Document-Based Questions

Merton Miller was a well-respected American economist and teacher who lived from 1923–2000.

... if you take money out of your left pocket and put it in your right pocket, you're no richer.

—Merton Miller

14. How do you think Miller feels about the government investing its money to make it grow?
A He would disagree with investing.
B He thinks saving is the best way to manage funds.
C He would be in favor of investing funds.
D He doesn't believe in income taxes for investing.
15. What do you think Miller believed the government's role in managing its money should be?
A The government should stay out of money management.
B The government is doing a good job of balancing the budget.
C The government has to make their funds increase for the country to prosper.
D The government should ask individual citizens to manage its money.

Extended-Response Question

16. Some people believe more power over spending money should be given to the states rather in the federal government controlling it. What do you think? Write a Pro/Con list for giving the states more power over spending. Conclude with a paragraph about what your list shows.

STOP



For additional test practice, use Self-Check Quizzes—Chapter 25 on glencoe.com.

Need Extra Help?

If you missed question...	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Go to page...	677	678	682	688	678	680	682	684	691	688	690	680	680	678	678	684

Chapter 25 695

STANDARDIZED TEST PRACTICE

13. A Programs such as Social Security and national defense affect the entire U.S. population. Expenditures for these programs fit under the federal level, since it is concerned with the nation as a whole.

Document-Based Questions

14. C If you take money from one pocket and put it into another, you will have the same amount that you started with. Miller's point is that this procedure will not enrich you. Investment is the only procedure that would lead to an increased amount of money.

15. C Miller is advocating economic growth.

Extended Response

16. Answers will vary. Student's paragraphs should clearly support the information in their pro and con lists.

tion between Congress and the president. Therefore, the correct answer is A.

10. B If students know the definitions of surpluses and deficits, they should see that it is better for the government to have more than enough money than insufficient money to meet the needs of the nation.

Critical Thinking

11. C Students should review the graph The Deficits and the Debt on page 690. Since surpluses do not lead to debt, stu-

dents should eliminate answer D. A quick glance at the graph shows answers A and B to be false. Therefore, C is the correct answer.

12. A Students will remember from reading Section 1 that Medicare is a program that provides health insurance for the elderly. This fact should lead students to the conclusion that a growing elderly population will lead to higher Medicare costs. This means that A is correct.



Have students visit the Web site at glencoe.com to review Chapter 25 and take the **Self-Check Quiz**.

Need Extra Help?

Have students refer to the pages listed if they miss any of the questions.

Teach

C₁ Critical Thinking

Cause and Effect Ask: What reason does Josh Bolten give for the budget deficit under President George W. Bush? (He claims that Bush inherited an economy that was in the process of weakening. "Revenues just disappeared.") **OL**

C₂ Critical Thinking

Predicting Consequences Ask: What is estimated about deficits if Bush's tax cuts are made permanent? (Deficits will persist for at least 10 years.) **OL**

Additional
Support

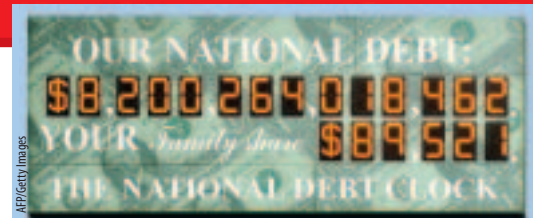
The Federal Deficit

As government spending grows and tax revenues shrink, the United States racks up record-breaking debt

Back in 2000, when Bill Clinton was completing his second term as President, the United States had a budget surplus of \$236 billion—meaning that the federal government took in 236 billion more dollars than it spent that year. Under President George W. Bush, the surplus has become an annual deficit of \$400 billion. About a quarter of what the government has spent since Bush entered the White House has been borrowed.

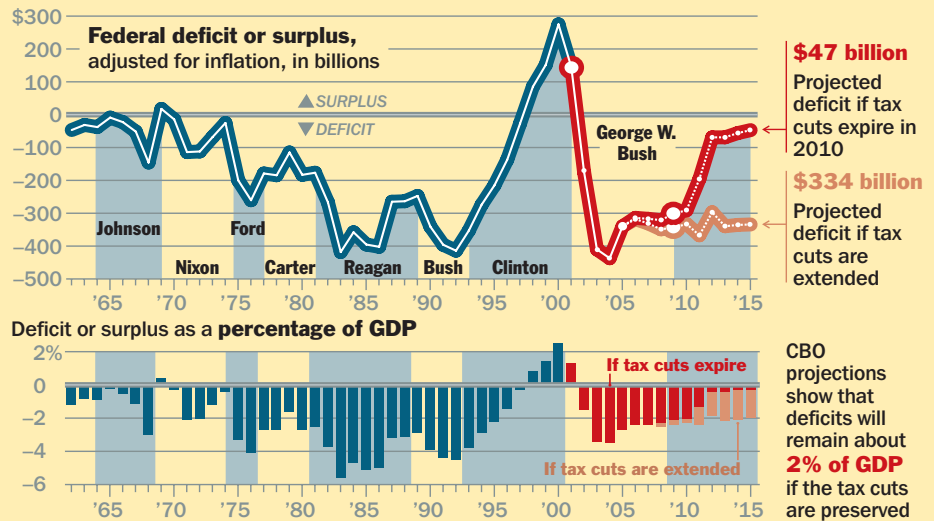
C₁ In Bush's defense, Josh Bolten—who served as Director of the Office of

Management and Budget before becoming White House Chief of Staff—points to the economy the President inherited. "We had this burst bubble. Revenues just disappeared, and this was all before the President's tax cuts." But when Bush came into office, the nonpartisan Congressional Budget Office (CBO) was projecting surpluses for years to come, until Bush's tax cuts went into effect. CBO estimates show that if Bush's tax cuts are made permanent—as he is advocating—deficits will persist for at least 10 years.



ADDING IT UP This electronic clock, located in New York City, shows the total U.S. government debt as of August 2006 (top) and the estimated share for each American family (bottom). The *national debt* is the total amount of money that the government owes; the *deficit* is the yearly amount by which spending exceeds revenue. The clock does not have enough digits to show the debt when it reaches the \$10 trillion mark, which is expected to occur by 2008.

The deficit has exploded under Bush ...



Background

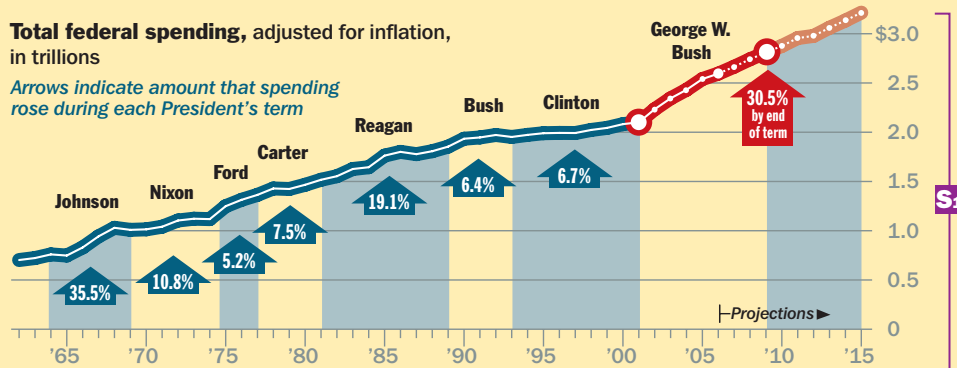
The Congressional Budget Office The Congressional Budget Office (CBO) was founded on July 12, 1974, and began operating on February 24, 1975. Its mission is to assist Congress in preparing the budget by providing objective and impartial economic reports and analyses. In addition, each year the CBO provides projected estimates of

spending and revenue levels for a 10-year period. However, these estimates do not take into account future changes in law (such as changes in tax law) that could affect spending and revenue. For this reason, the CBO routinely updates its information as events influence the economic forecast. To insure the quality of the work of the CBO, a panel of economic advisers meets twice a year to review the CBO's reports and analyses.

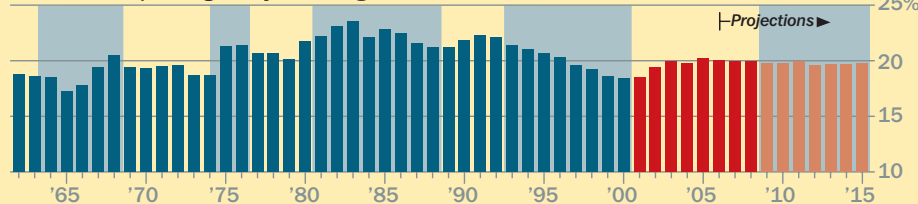
... and spending has increased rapidly ...

Total federal spending, adjusted for inflation, in trillions

Arrows indicate amount that spending rose during each President's term

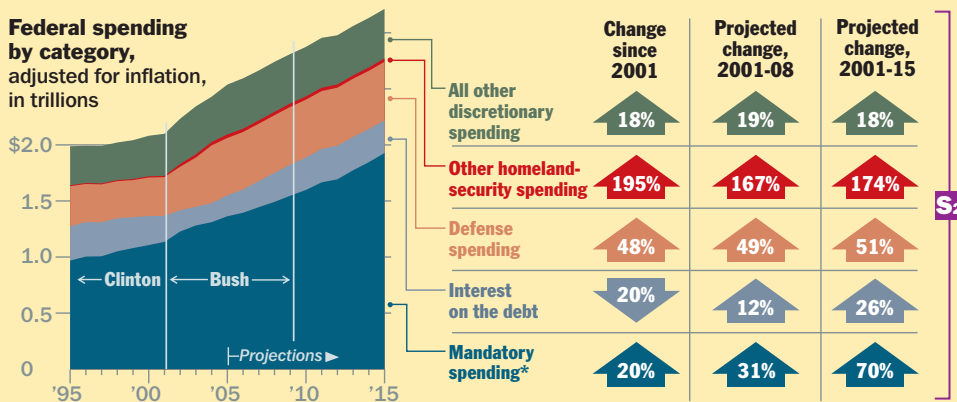


Total federal spending as a percentage of GDP



... across the entire government

Federal spending by category, adjusted for inflation, in trillions



*Programs such as Social Security, Medicare, Medicaid, veterans' benefits, unemployment, food stamps

Sources: Congressional Budget Office, Bureau of Labor Statistics, Center on Budget and Policy Priorities. All inflation-adjusted figures are 2006 dollars

S₁ Skill Practice

Reading Graphs Ask: According to the graph, under which president did federal spending most increase?

(Johnson) OL

S₂ Skill Practice

Reading Graphs Ask: Which federal spending category has increased the most since 2001? (homeland security spending) OL

Reading Strategy

Read to Write

Expressing Opinions Despite rising security costs and growing entitlement programs, President George W. Bush hopes to make his tax cuts permanent. As you have read, the CBO estimates that if the tax cuts are made permanent, the deficit will per-

sist for at least 10 years. Do you feel it is appropriate to cut taxes when the government is running deficits? Write an editorial expressing your opinion about tax cuts and the deficit. Be sure to explain your reasoning. OL

Analyzing Primary Sources

Focus

R₁ Reading Strategy

Identify Ask: Which clause gives Congress the right to regulate commerce? (Commerce Clause) **BL**

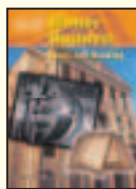
R₂ Reading Strategy

Making Connections Remind students that critics of President Bush's warrantless wiretapping program, which allows the government to eavesdrop on the phone conversations of Americans without a warrant, say that it is unconstitutional. **Ask:** Which of these provisions in the Constitution best supports the critic's position? (Amendment IV, Searches and Seizures) **OL**

Additional Reading



Small is Beautiful: Economics as if People Mattered by E. F. Schumacher discusses modern economics, recycling, natural resources, growth, and intermediate technology.



Money Business: Banks and Banking by Ernestine Giesecke tells how banks keep track of people's money, describes the services that banks offer, and explains the Federal Reserve System.



Philanthropists and Their Legacies by Carol G. Traub profiles philanthropists such as Alfred Nobel, Andrew Carnegie, and John D. and Catherine T. MacArthur. It describes how the philanthropists made their money and explains why they gave away so much of it.

Analyzing Primary Sources

Government and the Economy

The Constitution and the Economy

Some provisions in the U.S. Constitution protect private property rights and the freedom to take part in commercial activities free of arbitrary restrictions.

R₁ Commerce Clause Article I, Section 8, states that Congress shall have the power "To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes; . . ."

Coinage Clause Article I, Section 8, states that Congress shall have the power "To coin Money, regulate the value thereof, . . ." and "To provide for the Punishment of counterfeiting the Securities and current Coin of the United States; . . ." Article I, Section 10, gives Congress this power exclusively by stating that "No State shall . . . coin Money; . . ."

Copyright Clause Article I, Section 8, states that Congress shall have the power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writing and Discoveries; . . ."

Contract Clauses Article I, Section 9, states that "No Bill of Attainder or ex post facto Law shall be passed . . ." by Congress. Article I, Section 10, states that "No state shall . . . pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligations of Contracts, . . ."

Export Clauses Article I, Section 9, states that "No Tax or Duty shall be laid on Articles exported from any State . . .", and Article I, Section 10, states that "No State shall, without the Consent of the Congress, lay any Imposts or Duties on Imports or Exports, . . ."

R₂ Searches and Seizures Amendment IV states that "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, . . ."

Reading Focus

In the nation's early years, most political leaders were reluctant to involve the federal government too heavily in the economic sector. They accepted the idea of laissez-faire, a doctrine opposing government interference. While consumers and producers make most economic decisions, government activities have a powerful effect on the U.S. economy.

Read to Discover

As you read, think about the following:

- Why did the Framers believe it was necessary that the Constitution include the commerce clause?
- How much influence should the government have over the economy?

Reader's Dictionary

Bill of Attainder: a law that punishes a person accused of a crime without a trial or a fair hearing in court

ex post facto law: a law that would allow a person to be punished for an action that was not against the law when it was committed

Teach

C Critical Thinking

Analyzing Primary Documents Ask: Based on the excerpts, what viewpoint do Thomas Jefferson and Franklin Delano Roosevelt share about the role of government? (They both believe that government should prevent people from injuring each other.) **OL**

Caption Answer:

Answers will vary, but students may think the coins are intended to honor the former presidents.

DBQ Document-Based Questions

Answers:

1. Under the Export Clause, the Constitution prohibits states from taxing goods moving from one state to another.
2. Thomas Jefferson's quote supports a laissez-faire approach to government and the economy. He states that a wise government allows individuals to regulate their own economic pursuits.
3. Answers will vary; students should clearly explain their reasoning.

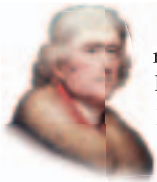
Additional Support

Due Process Amendment V states that "No person shall . . . be deprived of life, liberty, or property, without due process of the law; . . ." and Amendment XIV, Section 1, states, "nor shall any State deprive any person of life, liberty, or property, without due process of law; . . ."

Reserved Rights and Powers Amendment IX states that "The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people." And Amendment X states, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

Role of Government

Two presidents provide their views on the role of government in the economy.



[A] wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government.

—Thomas Jefferson, First Inaugural Address, March 4, 1801



Government ought to have the right and will have the right, after surveying and planning for an industry to prevent, with the assistance of the overwhelming majority of that industry, unfair practice and to enforce this agreement by the authority of government. The so-called anti-trust laws were intended to prevent the creation of monopolies and to forbid unreasonable profits to those monopolies. That purpose of the anti-trust laws must be continued, but these laws were never intended to encourage the kind of unfair competition that results in long hours, starvation wages and overproduction.

—President Franklin D. Roosevelt, Fireside chat, Sunday, May 7, 1933



Photographs as Primary Sources A new \$1 coin was introduced in 2007. The United States Mint will mint and issue four presidential \$1 coins per year. Why do you think the coin features the presidents?

DBQ Document-Based Questions

1. **Explaining** What restrictions does the U.S. Constitution place on state and local taxing powers?
2. **Describing** Which excerpt supports a laissez-faire position regarding government and the economy? Explain.
3. **Evaluating and Connecting** Originally the Framers of the Constitution wanted to ensure that

Congress could not involve itself in the states' internal affairs. Yet, the necessary and proper clause has been expanded so that Congress now has some control over virtually all economic activities, even within each state's borders. Do you think this is a fair exercise of congressional power? Give reasons for your answer.

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Did You Know?

Antitrust Laws and the FTC As you have read, President Roosevelt stated in a 1933 Fireside Chat: "The so-called antitrust laws were intended to prevent the creation of monopolies..." The first of these laws was the Sherman Antitrust Act of 1890. The Clayton Antitrust Act of 1914 increased the

power of antitrust law by prohibiting acts such as price discrimination and binding buyers or sellers to contracts that forced them to do business with a particular firm. In 1915 the Federal Trade Commission (FTC), an independent agency of the government, was formed to enforce antitrust laws. The

president and the Senate appoint its five members for seven-year terms. In an effort to maintain a bipartisan FTC, no more than three members may be from the same party. To carry out its mission, the FTC brings federal charges against companies that it believes have violated antitrust laws.